



For PERS
Defined Contribution Retirement Plan (DCRP) and
457 Deferred Compensation Plan (457 Plan)
Participants

Montana Public Employee Retirement Administration (MPERA)

September 2006

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*Should any information in this
newsletter conflict with statute or
rules, the statute or rules will apply.*



Important Changes to your DCRP or 457 Plan

457 Plan Investment Options Annual Review & Update

The Public Employees' Retirement Board (PERB) and the Employee Investment Advisory Council (EIAC) recently completed their annual review of the investment options offered in your 457 Plan.

Detailed information regarding the review process may be found at mpera.mt.gov, including:

- the PERB's Investment Policy Statement;
- fund data sheets;
- EIAC recommendations.

Based upon the review, the PERB decided to:

1. Discontinue the following investment options **on December 4, 2006** as they failed to meet PERB's established performance benchmarks:
 - √ Artisan Mid Cap Investors (mid cap growth fund)
 - √ RS Diversified Small Cap Growth (small cap growth fund)
 - √ Templeton Foreign Fund (international fund)
 - √ The five Great West Retirement Services Profile funds:
 - Conservative Profile
 - Moderately Conservative Profile
 - Moderate Profile
 - Moderately Aggressive Profile
 - Aggressive Profile

2. Place the following investment option on a watch/probation status in order to closely monitor and possibly discontinue:

- √ Neuberger Berman High Income Investors

This fund only recently failed to meet PERB's performance benchmarks.

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3. Add the following new investment options **on September 5, 2006:**

- √ Munder Mid Cap Core Growth (replaces the Artisan Mid Cap Investors fund)
- √ Managers AMG Essex Small/Micro Cap Growth (replaces the RS Diversified Small Cap Growth fund)
- √ Dodge and Cox International Stock (replaces the Templeton Foreign Fund)
- √ Three Asset Allocation Funds using the Plan's existing investment options
 - Conservative
 - Moderate
 - Moderately Aggressive

"Detailed information regarding the review process may be found at mpera.mt.gov."

The PERB also decided to add the following asset classes and categories to further ensure sufficient diversity and selection:

- √ Small Cap Blend – the Vanguard Small Cap Index fund will be available **effective September 4, 2006;**
- √ Mid Cap Blend – the Neuberger Berman Genesis Trust fund will be retained within this asset class and category. The Neuberger Berman Genesis Trust fund has been available since 1997, but has shifted its management orientation from the original small cap growth to its current mid cap blend.■

DCRP Investment Options Annual Review & Update

The Public Employees' Retirement Board (PERB) and the Employee Investment Advisory Council (EIAC) recently completed their annual review of the investment options offered in the DCRP.

Detailed information regarding the review process may be found at mpera.mt.gov including:

- the PERB's Investment Policy Statement;
- fund data sheets;
- EIAC recommendations.

Based upon the review, the PERB decided to:

1. Discontinue the following investment options **on December 4, 2006** as they failed to meet PERB's established performance benchmarks:

- √ Artisan Mid Cap Investors (mid cap growth fund)

- √ Brown Capital Small Company (small cap growth fund)

2. Place the following investment options on a watch/probation status in order to closely monitor and possibly discontinue them:

- √ SSGA International Growth
- √ Vanguard Equity Income

These funds only recently failed to meet PERB's performance benchmarks.

3. Add the following new investment options **on September 5, 2006:**

- √ Munder Mid Cap Core Growth (replaces the Artisan Mid Cap Investors fund)
- √ Managers AMG Essex Small/Micro Cap Growth fund (replaces the Brown Capital Small Company fund).■

GOOD NEWS - DCRP ADMINISTRATIVE COSTS

Currently, participants in the DCRP are assessed 75 basis points (3/4 of 1%) annually to cover the PERB's administrative costs. This 75 basis point fee was capped at \$300 annually effective January 1, 2006.

Effective with the quarter ending September 30, 2006, the 75 basis point fee **will decrease** to 50 basis points (1/2 of 1%) annually or 0.125% quarterly. The \$300 annual cap will remain in place.

DCRP AND 457 ASSET TRANSFER

Participants, in either the 457 Plan or the DCRP, who have assets in a discontinued investment option have until **2:00 pm MST, Monday, December 4, 2006** to transfer their assets to other available investment options.

To transfer assets, participants may contact Great West Retirement Servicessm by:

- √ calling KeyTalk®, toll free at (877) 699-4015 and either using the voice response system or talking to a customer service representative during normal business hours (8 a.m. to 5 p.m MST)
- √ accessing the Plans' website: www.mperadcplans.com

Participants accessing the website will need their username and password. Participants who have forgotten their username or password should contact a customer service representative, toll free at (877) 699-4015, for assistance.

Participants may also contact Great West Retirement Services in the Montana offices toll-free at (800) 981-2786 or Helena (406) 449-2408 to receive personal assistance with determining appropriate asset allocations.

Assets remaining in a discontinued investment option on December 4, 2006 will **automatically** be transferred as indicated below.

On December 4, 2006, Assets Remaining in:	Will Be Automatically Transferred to:
Artisan Mid Cap Investors →	Munder Mid Cap Core Growth
RS Diversified Small Cap Growth AND the Brown Capital Small Company →	Managers AMG Essex Small/Micro Cap Growth
Templeton Foreign Fund →	Dodge and Cox International Stock
Conservative Profile →	Conservative Asset Allocation
Moderately Conservative Profile →	Moderate Asset Allocation
Moderate Profile →	Moderate Asset Allocation
Moderately Aggressive Profile →	Moderately Aggressive Asset Allocation
Aggressive Profile →	Moderately Aggressive Asset Allocation

TRANSACTION FREEZE PERIOD

A **transaction freeze period** must occur any time investment options are discontinued or changed. The transaction freeze period allows for the transfer and reconciliation of assets still in the investment options as of the discontinued date.

This year's transaction freeze period will begin at 2:00 p.m. MST, Monday, December 4, 2006 and end the morning of Tuesday, December 5, 2006. During this brief period, all investment options will be closed to all inquires and transactions.

Investment House Trading Restrictions

Funds may impose redemption fees on certain transfers, redemptions or exchanges if assets are held less than the period stated in the fund's prospectus or other disclosure documents. For more information, please refer to the fund's prospectus and/or disclosure documents or the Plans' website:

www.mperadcplans.com

Generally, investment houses impose trading restrictions to manage their cash flow and achieve better returns. Trading restrictions are NOT imposed by the PERB or subject to its' discretion. Participants are encouraged to note all restrictions when trading between the available investment options.

RECORDKEEPING AND ADMINISTRATIVE SERVICES REQUEST FOR PROPOSAL

The PERB contracts with Great West Retirement Services (GWRS) to provide recordkeeping and limited administrative services for the 457 Plan and the DCRP. The contract between the PERB and GWRS is a term-limited contract subject to state procurement law. The contract's term will expire on June 30, 2007.

Under state procurement law, the contract must be re-bid. Consequently, the PERB is beginning the Request for Proposal (RFP) process. Under the RFP process, a new contract must be awarded to the offeror who scores the highest according to the criteria established in the RFP.

This means that, effective July 1, 2007:

- 1) Administrative and recordkeeping services **may** be provided by a party other than GWRS;
 - √ The PERB intends to maintain consistent or improved level of service.
 - √ The PERB intends for any transition to be seamless.

- 2) The fees participants pay for these services will change.
 - √ The PERB cannot estimate, at this time, how fees will change.
 - √ The PERB will notify you of changes in fees as soon as administratively possible.

Currently, the participants are charged as follows for the GWRS' administrative and recordkeeping services:

- 1) 457 Plan
 - a. A graduated asset based fee ranging from 10 to 35 basis points.
 - b. This fee covers both GWRS' services and the PERB's administrative costs.
- 2) DCRP
 - a. Flat dollar fee of \$18.25 per participant per quarter or \$73 annually.
 - b. The PERB's administrative costs are charged separately. (See Good News article page 2.)■

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